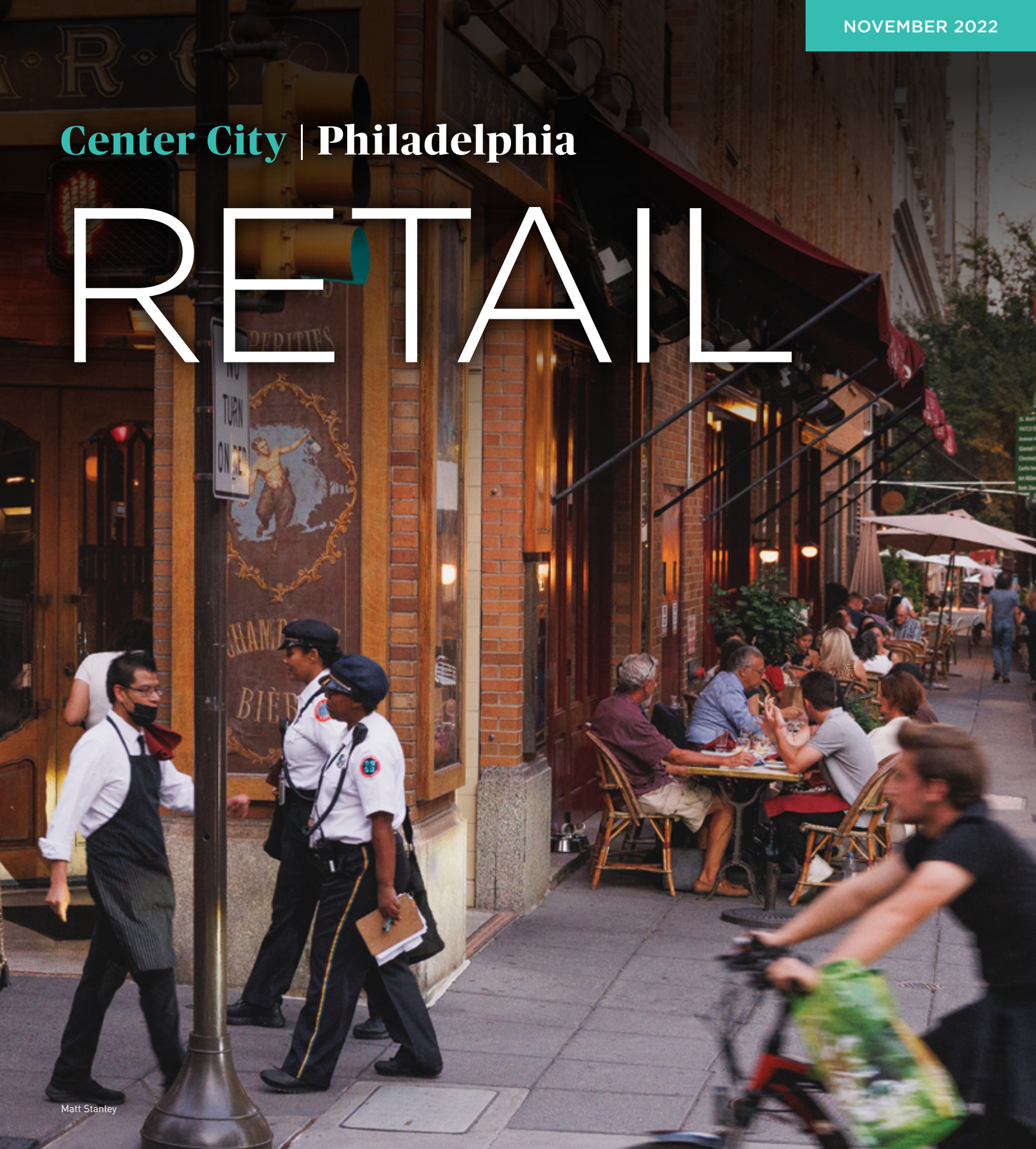


Center City | Philadelphia

RETAIL



Matt Stanley

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**CENTER CITY
DISTRICT**

**CENTRAL PHILADELPHIA
DEVELOPMENT
CORPORATION**



Center City Philadelphia Retail

Center City retailers, restaurants, and commercial property owners have responded to a series of challenges in the last three years with creativity and resilience. Office workers have been gradually returning, at just over 50% of pre-pandemic levels in October, with hybrid work patterns somewhat limiting their recurring purchases downtown for the time being. However, the return of conventions, tourism and the reopening of all cultural institutions, the attraction of shoppers from across the city and region and the continuing growth of Philadelphia's downtown residential population have combined to drive two consecutive years of positive net openings of restaurants and retailers within the district.

KEY TAKEAWAYS

1. For two decades Philadelphia has steadily diversified downtown land use creating a broad retail customer base that includes workers, tourists, regional customers and a downtown population that is the third largest in the U.S.
2. In October 2022, daily pedestrian foot traffic achieved three-quarters of pre-pandemic levels. The volume of visitors and shoppers reached 73% of the October 2019 level, while residents were at 119% and non-resident workers had returned to 50% of the October 2019 level. These combined to generate retail and restaurant demand in 2022 at an annual estimated \$1.3 billion in core Center City and \$2.3 billion in Greater Center City.
3. 80.5% of storefronts within the Center City District are open for business, up from 54.5% in June 2020. 2022 is well on pace to be the second consecutive year of positive net openings in Center City Philadelphia.
4. Many national chain retailers closed stores across the country due to trends accelerated by the pandemic. While this contributed to vacancy in Center City, many of these spaces have been quickly backfilled by emergent digitally native brands.
5. Taxable retail sales for the third quarter of 2022 in core Center City are at 88% of nominal 2019 levels; bars and restaurants are at 87% of nominal 2019 levels.



Diversified Downtown

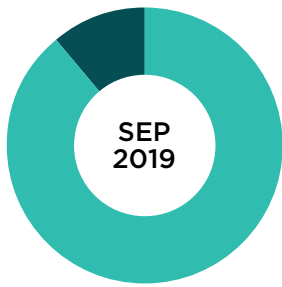
RESILIENT RETAIL

During the last two decades, significant improvements in the vitality and livability of Center City and its retail and restaurant scene were driven by a diverse tapestry of customers: office, education and health care workers, college students, the country's third-largest downtown population, city and regional residents, and a growing number of tourists and convention attendees.

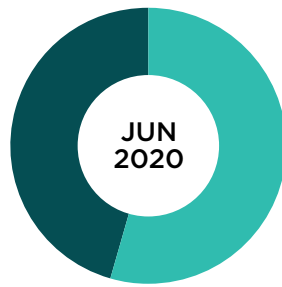


In this report, the four ZIP codes between Vine and Pine streets are referred to as "Core Center City." This area and the surrounding neighborhoods in the four adjacent ZIP codes are referred to as "Greater Center City."

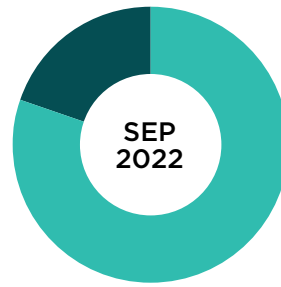
Center City Retail Occupancy, 2019–2022



11.0% Vacant
89.0% Occupied



45.5% Vacant/Shuttered
54.5% Occupied



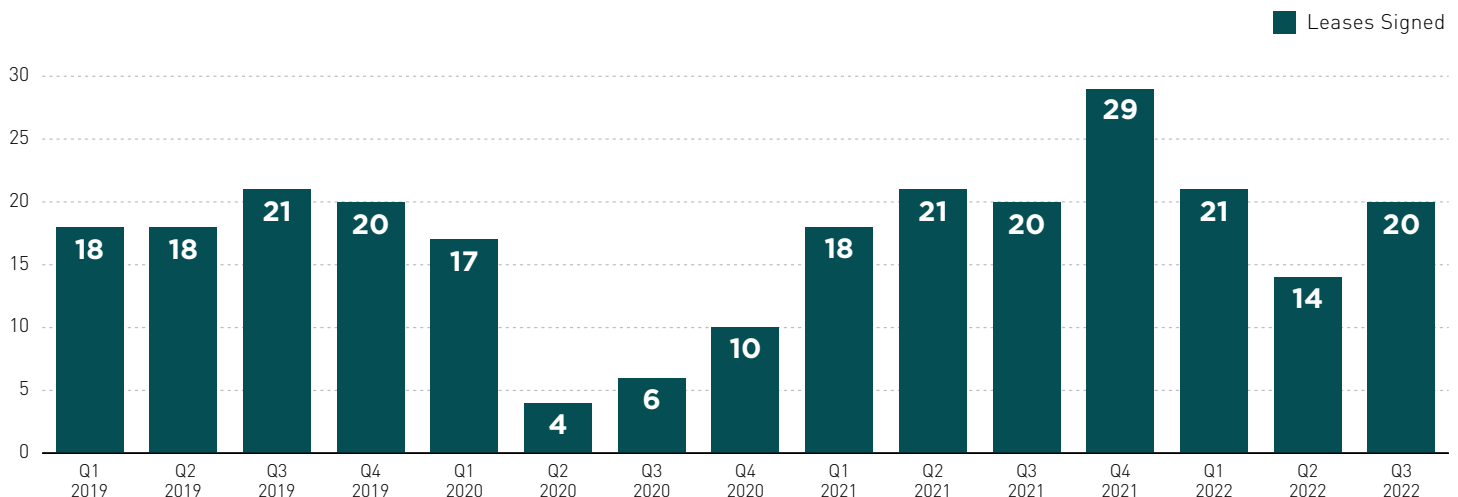
19.5% Vacant
80.5% Occupied

Source: CCD Survey

The pandemic reset patterns of behavior. While hybrid work may persist and limit the recurring purchases of office workers, downtown Philadelphia's growing residential population and returning visitors have generated robust demand. Center City endures as the most concentrated node of economic activity in the region, home to 42% of the city's jobs. As of October 2022, daily foot traffic reached three-quarters of 2019 levels. The volume of visitors and shoppers reached 73%. However, residents are at 119% of the October 2019 level while non-resident workers have so far returned at a rate of 50%, thanks in part to the leadership of companies such as Comcast, Jefferson, Aramark, and a host of smaller firms. While it is impossible to predict the trajectory of the return of office workers, current trends suggest a slow but sustained increase in days in the office for many firms.

Center City is on course to achieve its pre-pandemic 89% occupancy rate as reopenings and new arrivals have increased occupancy to 80.5% with retail brokers reporting continued tenant inquiries, tours and active lease negotiations.

Core Center City Retail Leasing Transactions, 2019–2022



Source: CoStar








A Highly Diversified Downtown

Greater Center City: Spring Garden – South Street River to River

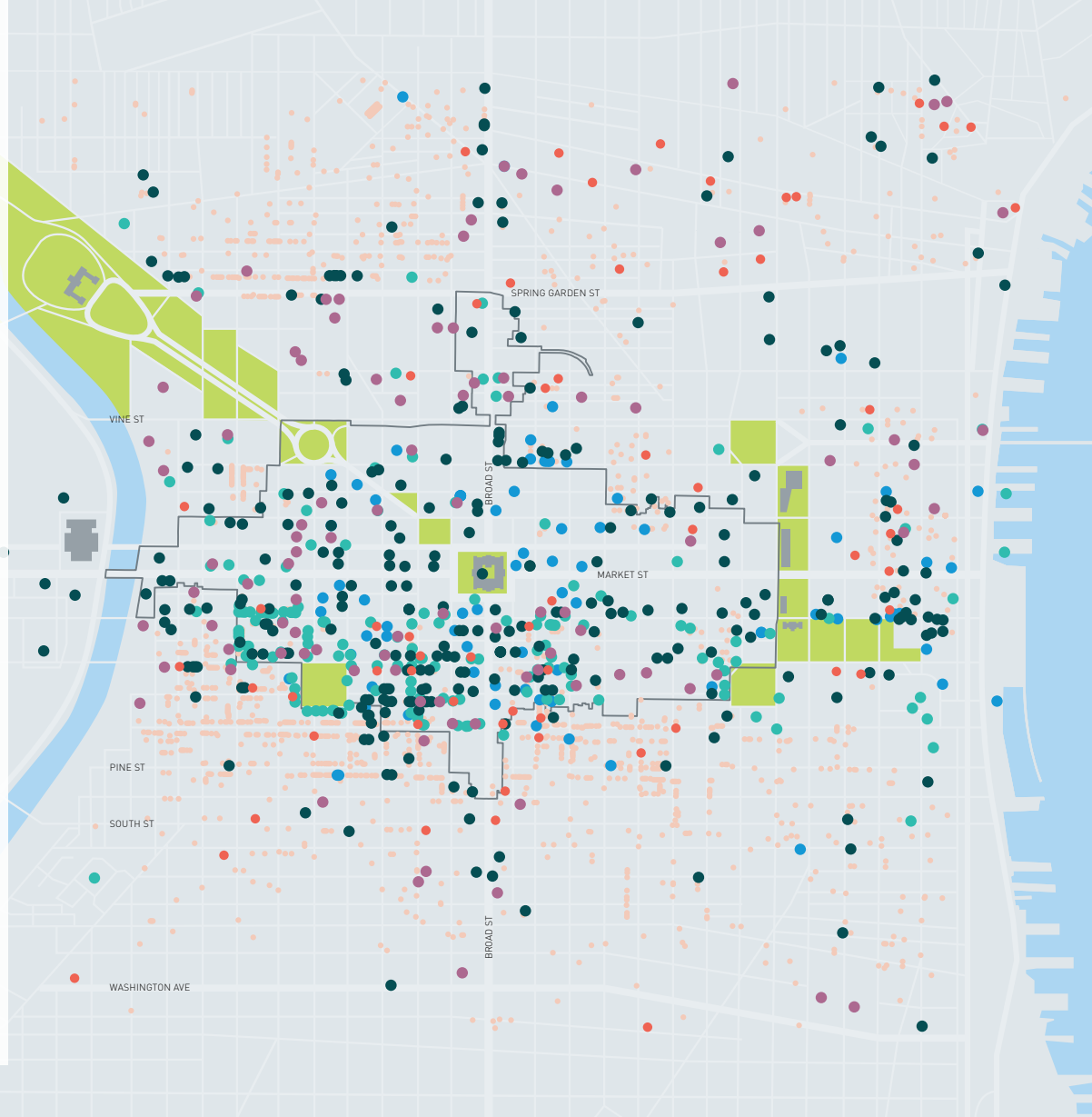
237 Office Buildings
157 Condominiums
76 Hotels
75 Apartment Buildings (100+)
51 Apartment Buildings (51–100)
991 Apartment Buildings (5–50)

Center City District:

142 Office Buildings
128 Condominiums
46 Hotels
42 Apartment Buildings (100+)
14 Apartment Buildings (51–100)
151 Apartment Buildings (5–50)

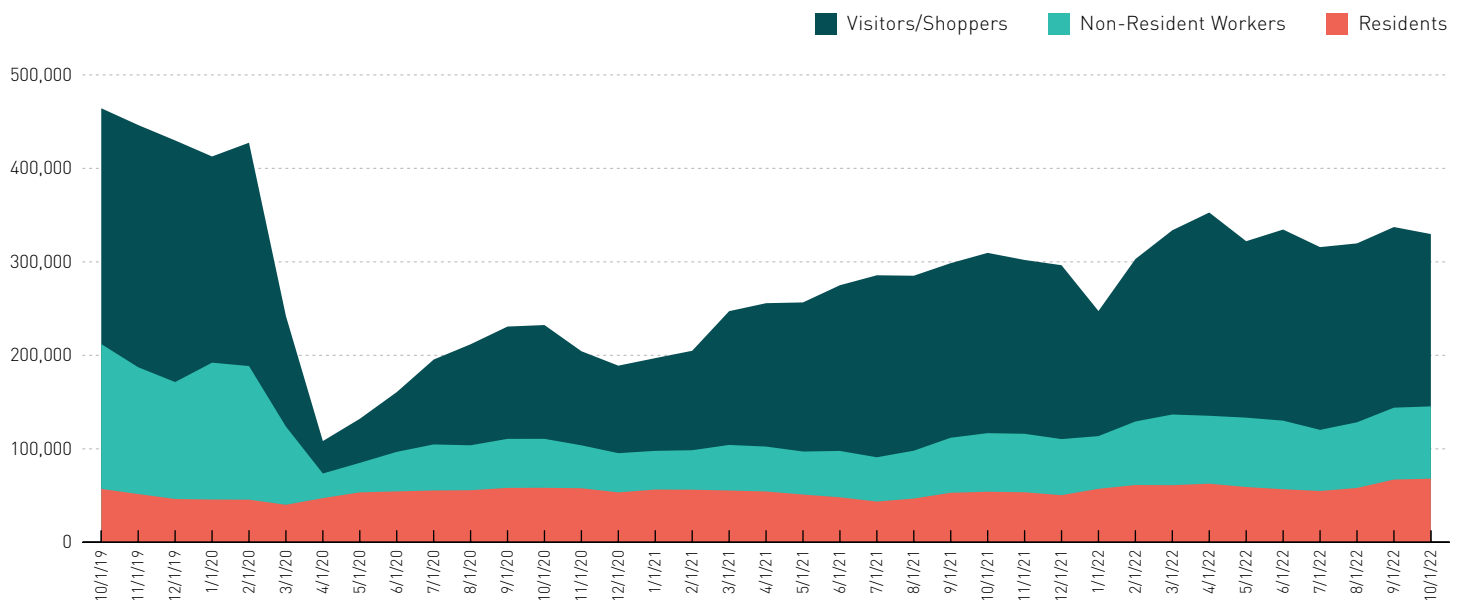
-  CCD Boundary
-  Office Buildings
-  Condominiums
-  Hotels
-  Apartment Buildings (100+ Units)
-  Apartment Buildings (50–100 Units)
-  Apartment Buildings (5–50 Units)

Source: Office of Property Assessment, 2022



Philadelphia's diversified downtown land uses create a broad retail customer base that includes workers, tourists, regional customers and a downtown population that is the third largest in the U.S.

Center City Pedestrians: Residents, Workers, and Other Visitors, Average Daily



Source: Placer.ai

Center City has recovered from multiple challenges in the last half-century: the loss of population to the suburbs in the 1970s and 1980s; a municipal fiscal crisis at the beginning of the 1990s that created concerns about cleanliness and safety and led to the creation of the Center City District; and multiple economic downturns. Now a diversified 24-hour downtown rather than a 9-to-5 office monoculture, provides abundant reasons for optimism about Center City's future, especially as new leaders respond effectively to quality of life and public safety challenges and to long-standing limits to robust and inclusive growth.

A clear and resounding sign of confidence in the future of Center City comes from the real estate community. During the past year, nine major development projects, representing 4.1 million square feet, were completed in Center City between Fairmount and Washington avenues, river to river. Twenty-four additional projects, representing 8.5 million square feet, are currently under construction; 1,245 residential units were completed in the first nine months of 2022; 6,164 more are currently under construction. The 331,000 square foot 2222 Market, developed by Parkway

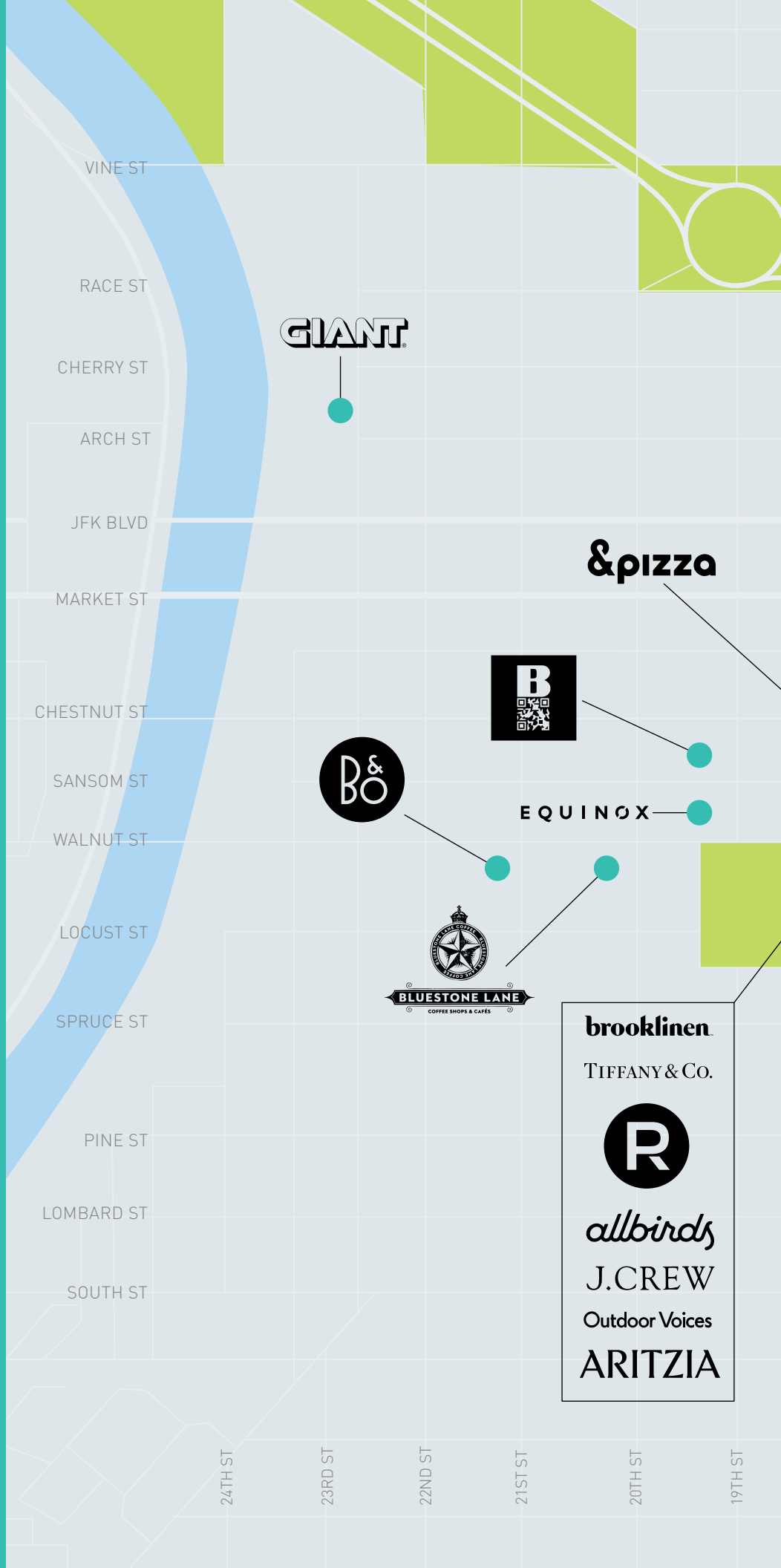
Corporation, will become the new headquarters for the Morgan Lewis law firm, a new build-to-suit office tower. Their current location at 1701 Market Street may become the latest candidate for conversion to other uses. A new 475,000 square foot headquarters for Chubb is close to being finalized. At 2300 Market Street, Breakthrough Properties has proposed a 200,000-square-foot life science commercial office building. On East Chestnut Street, Thomas Jefferson's Honickman Center is nearing completion as part of the final phase of National Real Estate's mixed-use Market East development. Most new residential and commercial projects incorporate generous ground-floor retail spaces.

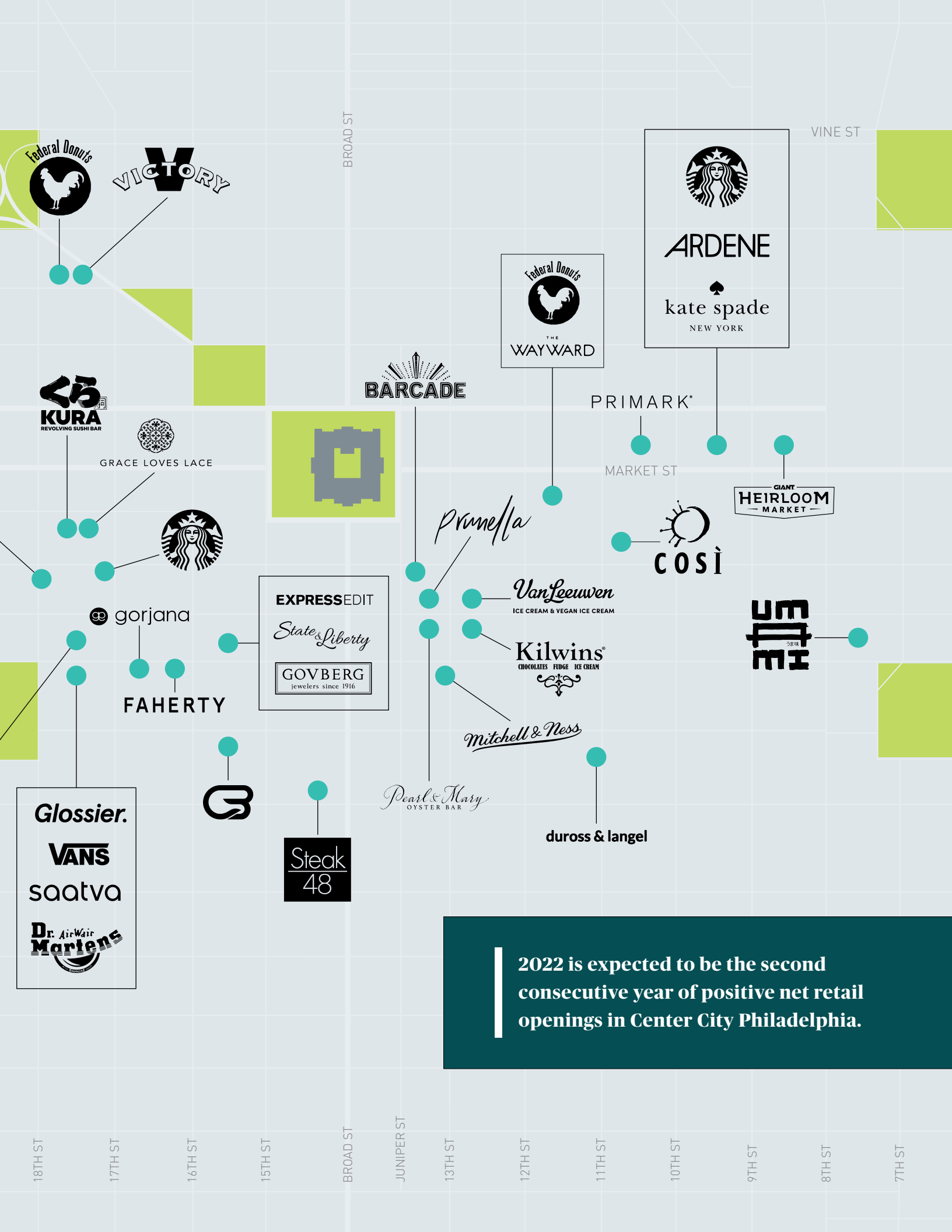
More than 175 new retailers, restaurants and service-oriented businesses have opened in Center City since 2020, with at least 47 more coming soon. While a public perception of vacancy may persist, Center City is on course to achieve its pre-pandemic 89% occupancy rate as reopenings and new arrivals have increased occupancy to 80.5% with retail brokers reporting continued tenant inquiries, tours and active lease negotiations.

Selected New Center City Retailers, 2020-2022

Opened and
announced since 2020

Source: Center City District





2022 is expected to be the second consecutive year of positive net retail openings in Center City Philadelphia.



Matt Stanley

Customers

DRIVERS OF DEMAND FOR RETAILERS AND RESTAURANTS IN CENTER CITY

Retail and restaurants in Center City in 2022 are supported by multiple, recurring sources of demand: residents in Greater Center City (Girard to Tasker, river to river), workers, students, city and regional shoppers, patrons of cultural institutions, tourists, business travelers and convention attendees. While the disruptions of the last few years altered spending at downtown businesses, overall retail and restaurant demand in 2022 is estimated at \$1.3 billion in core Center City and over \$2.3 billion in Greater Center City.

Retail and restaurants in Center City Philadelphia are supported by multiple sources of demand: residents in Greater Center City, workers, students, city and regional shoppers, patrons of cultural institutions, tourists, business travelers and convention attendees.

Retail and Food Services Demand in Center City, 2022

	CORE CENTER CITY	GREATER CENTER CITY
EMPLOYMENT		
Office Industries	111,300	120,400
Other Industries	167,400	212,700
Total	278,700	333,100
HOUSEHOLDS		
Owners	13,570	45,387
Renters	28,696	65,106
Total	42,266	110,493
VISITORS		
Hotel Room Inventory	13,614	13,614
Overnight Visitors	2,325,300	2,325,300
RETAIL DEMAND (\$ IN MILLIONS)		
Office Workers (Non-Resident)	\$364	\$393
Residents	\$618	\$1,617
Visitors	\$302	\$302
Total	\$1,284	\$2,312

Trade Area Key Facts

	CORE CENTER CITY	GREATER CENTER CITY
LAND AREA		
Population	67,993	206,096
Households	42,267	110,494
Families	9,158	35,104
Average Household Size	1.52	1.81
Owner Occupied Housing	32.1%	41.1%
Renter Occupied Housing Units	67.9%	58.9%
Median Age	36.1	36.1
Percent of Population Age 25-34	31.70%	26.50%
Percent of Population Age 25 or Higher with Bachelor's Degree or Higher	80%	70.20%
Median Household Income	\$99,867	\$92,865
Average Household Income	\$151,621	\$143,122
Per Capita Income	\$94,820	\$76,811
Median Home Value	\$492,122	\$403,558

Source: ESRI 2022 Estimates

Retail and Food Services Demand in Center City, 2022 Sources:

Employment: CCD estimate based on Bureau of Labor Statistics, Current Employment Statistics and Census Bureau, Longitudinal Employer-Households Dynamics.

Residential Households: ESRI estimate of total occupied housing units in 2022

Hotels and Overnight Visitors: Visit Philadelphia.

Retail Demand: Demand from non-resident office workers is a CCD estimate based on average weekly office worker spending from International Council of Shopping Centers, "Office Worker Retail Spending in a Digital Age," 2012. The proportion of office workers who are non-residents is based on Census Bureau, Longitudinal Employer-Household Dynamics. Demand estimate assumes that an average of 52% of non-resident office workers are physically in Center City in 2022, based on Placer.ai data on the non-resident employee population of Core Center City in 2022 through October. Demand from residents is based on average expenditures by households in the Philadelphia metropolitan area in 2020-21 from Bureau of Labor Statistics, Consumer Expenditure Survey. The estimate includes spending on food, alcoholic beverages, apparel and services, personal care products and services, reading, and tobacco products and smoking supplies. Demand from visitors is based on Econsult Solutions, Inc. visitor spending model.

RESIDENTS

The foundation of demand in Center City is a loyal and durable base of well-educated downtown residents, including students and recent graduates of Philadelphia's colleges and universities, millennials, families with children, empty nesters, and retirees. Center City has the third largest downtown residential population among major U.S. cities and is the fastest growing residential area of both Philadelphia and the entire region.

Greater Center City, between Girard Avenue and Tasker Street, enjoyed a population increase of 25% from 2010 to 2020, growing from 162,900 to 203,500 residents. During that time, the number of housing units grew by 26%. The residential population of Center City continues to expand and, accordingly, housing production has surged, with more than 6,164 units under construction. In core Center City, Arthaus, developed by Dranoff Properties, and Riverwalk, developed by PMC Property Group, added more than 800 residential units combined. Southern Land Company is completing The Laurel,

a large residential tower with 249 units off of Rittenhouse Square. Cathedral Square, located at the corner of 17th and Race next to the Cathedral Basilica of Saints Peter and Paul, has added 273 rental units and approximately 3,000 square feet of retail space. Within the core of downtown, new infill projects continue to be announced or commence construction, while others abound along the Delaware River waterfront, in the Callowhill-Spring Garden corridor and along Washington Avenue. In the neighborhoods north and south of Greater Center City, townhouse construction and loft conversions continue to add to the housing supply.

Median household income in Greater Center City is estimated at \$92,865 in 2022, compared to \$81,273 in the Philadelphia metropolitan area. Based on estimates of regional consumer spending from the Consumer Expenditure Survey, CCD calculates that the downtown residential population generates annual demand for food, personal care products, apparel, and services of \$618 million in core Center City and \$1.6 billion in Greater Center City.





WORKERS

Center City is a dense and diverse employment center, where 42% of all Philadelphia jobs are concentrated, particularly in the high-paying office sector. According to the Census Bureau, Greater Center City accounts for 83% of Philadelphia jobs in information, 73% of jobs in financial activities, and 71% of professional and business services jobs. Citywide, the average worker in these sectors earns \$117,900. Overall, Greater Center City's employment base is highly diversified, with 36% of jobs in the office sector, 17% in education and health care, 10% in leisure and hospitality and 26% in public administration.

Spending by downtown office workers on food and retail goods and services, according to the International Council of Shopping Centers, is \$135 per week. Based on this estimate, and taking the current level of remote work into account, CCD calculates that retail and food service demand generated by office workers in 2022 is \$364 million in core Center City and \$393 million in Greater Center City. As more employees establish new patterns of more frequent visits to the office, this component of demand will increase substantially.

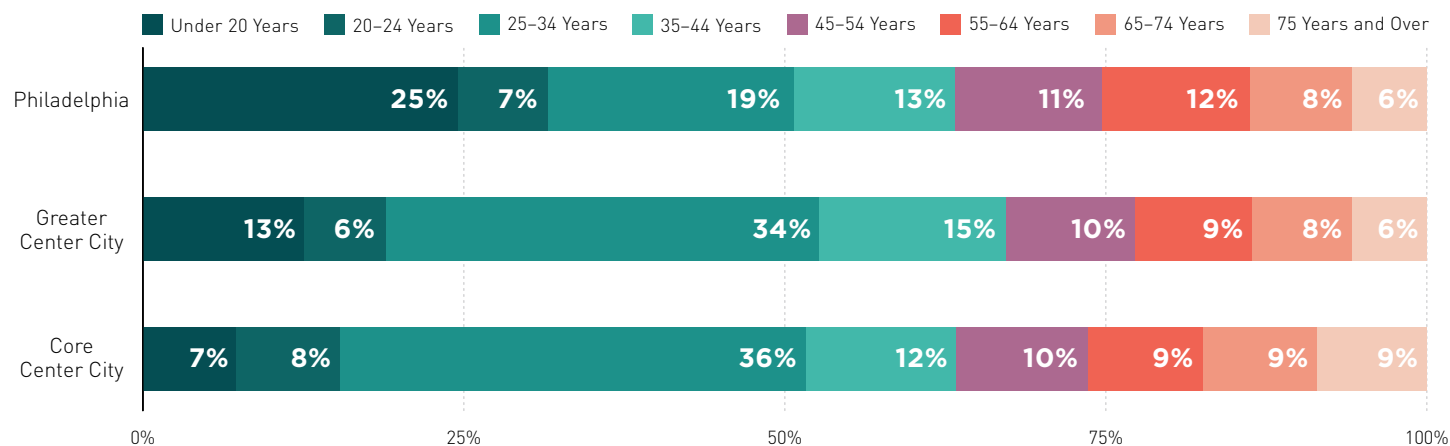
STUDENTS

More than 105,000 undergraduates and graduate students are enrolled at higher education institutions in and around Center City, including Temple University, the University of Pennsylvania, Community College of Philadelphia, Drexel University, Thomas Jefferson University, University of the Arts, and Moore College of Art and Design. The large student population seeks out apartments to rent and stores for downtown shopping. They socialize at bars, cafes, and restaurants, and visit museums, movie theaters, and cultural institutions. College and graduate students, along with medical student interns and residents, represent a significant demand driver for retail, restaurants, and entertainment offerings in Center City.

VISITORS

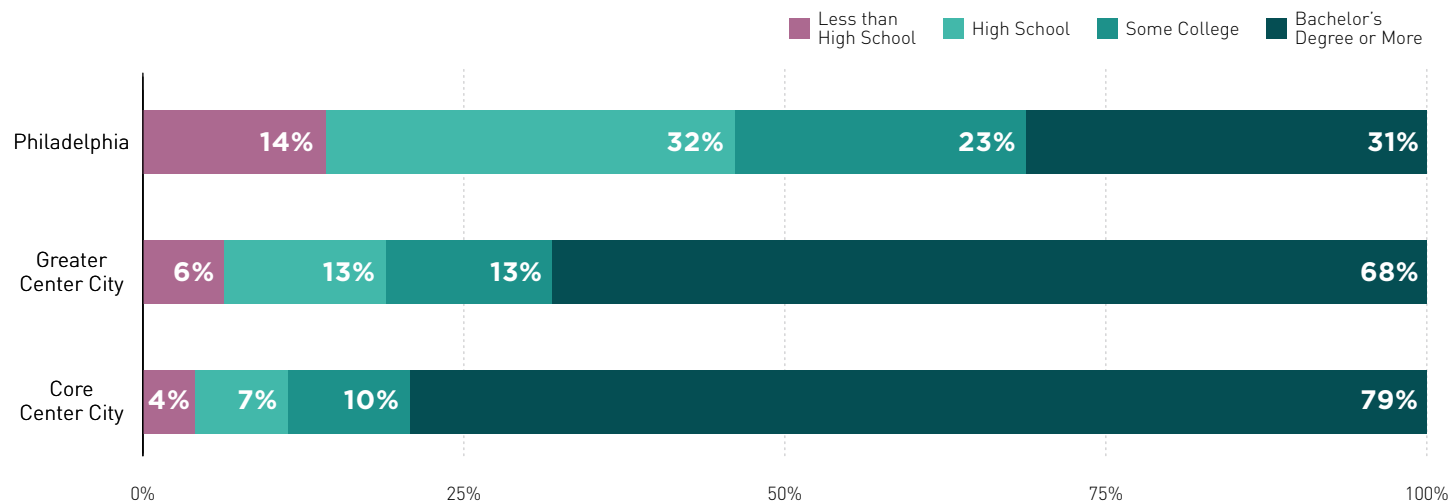
In 2019, more than 33 million visitors traveled to Philadelphia, many of whom were from other countries. While the pandemic temporarily hampered the travel industry, there are strong signs of a sustained recovery. Monthly collections from the local hotel tax increased throughout 2022, reaching 85% of the pre-pandemic level in the second quarter with hotel occupancy strongest on weekends. The Pennsylvania Convention Center reopened in 2021 and, in 2023, will draw 181,500 visitors to conventions and trade shows and another 619,300 to gate shows. A conservative estimate of the demand from travel and tourism is \$302 million resulting from the 2.3 million occupied room-nights in 2022.

Age Distribution in Greater Center City and Philadelphia, 2020

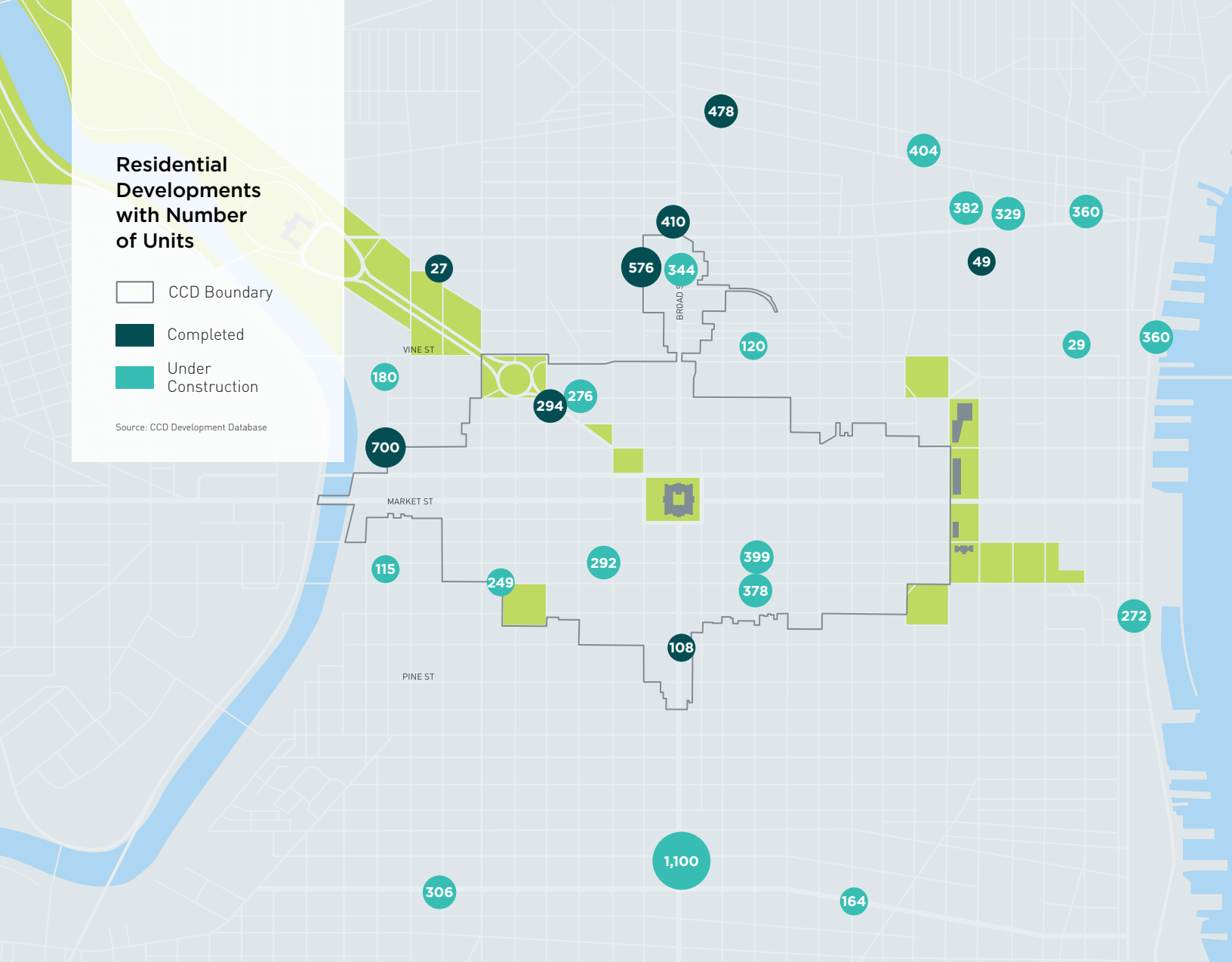


Source: U.S. Census Bureau, 2020 American Community Survey five-year estimates

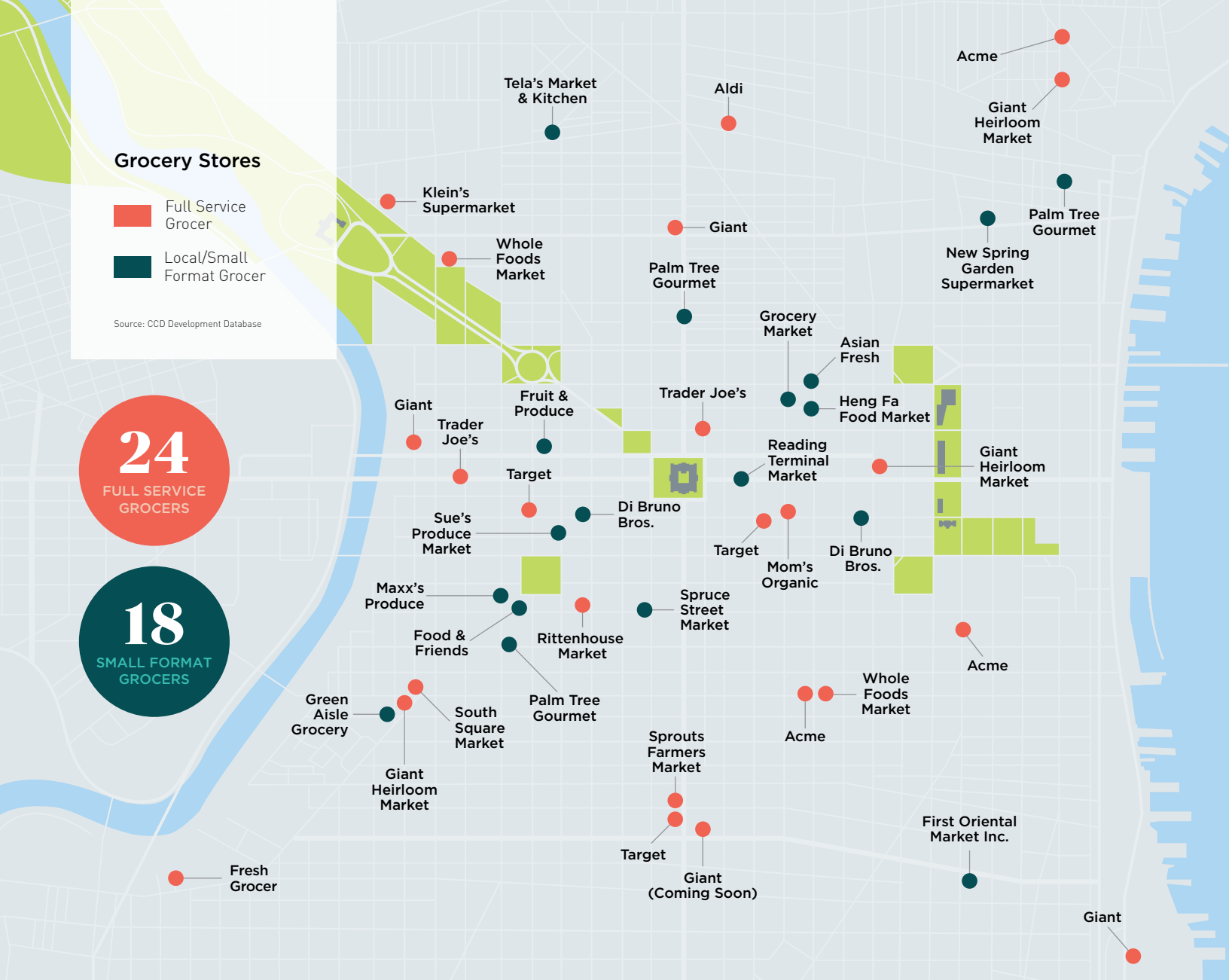
Educational Attainment of Population Age 25 and Older, 2020



Source: U.S. Census Bureau, 2000 decennial census, 2020 American Community Survey five-year estimates



The residential population of Center City continues to expand, with more than **6,164** units under construction.



The foundation of demand in Center City is a loyal base of well-educated downtown residents, including students and recent graduates of Philadelphia's colleges and universities, millennials, families with children, empty nesters, and retirees.



Foot Traffic

Philadelphia’s diversified 24-hour downtown generates significant foot traffic on retail streets. While, in most areas, traffic peaks during the week at lunchtime and late afternoon, when residents, workers, and visitors converge on downtown sidewalks, the area between Rittenhouse Square and Broad Street remains animated though the weekend and during evening hours, emphasizing the area’s role as a destination for retail and entertainment.

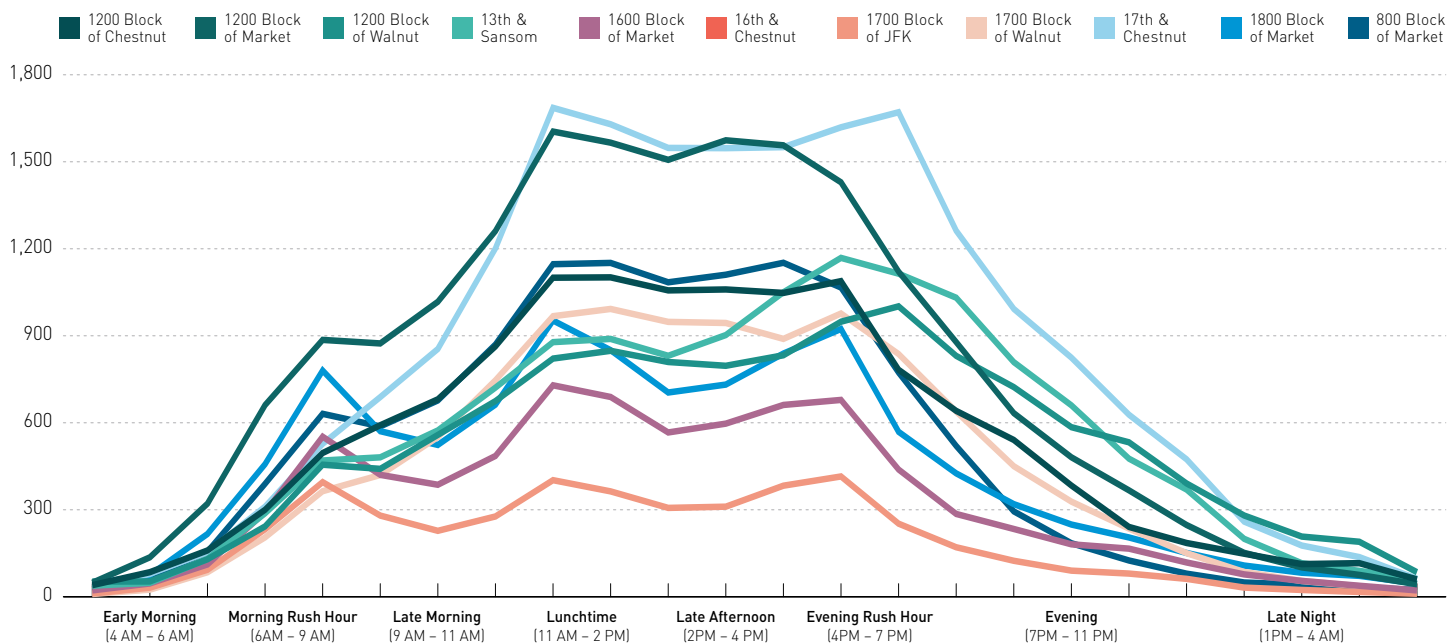
As of October 2022, foot traffic in Center City achieved three-quarters of October 2019 levels.

The vitality on Center City sidewalks is created by three types of pedestrians: those who live in the core of the downtown, from Vine to Pine streets; those who commute to work from throughout the city and region; and those who come as tourists, visitors to cultural institutions, convention attendees

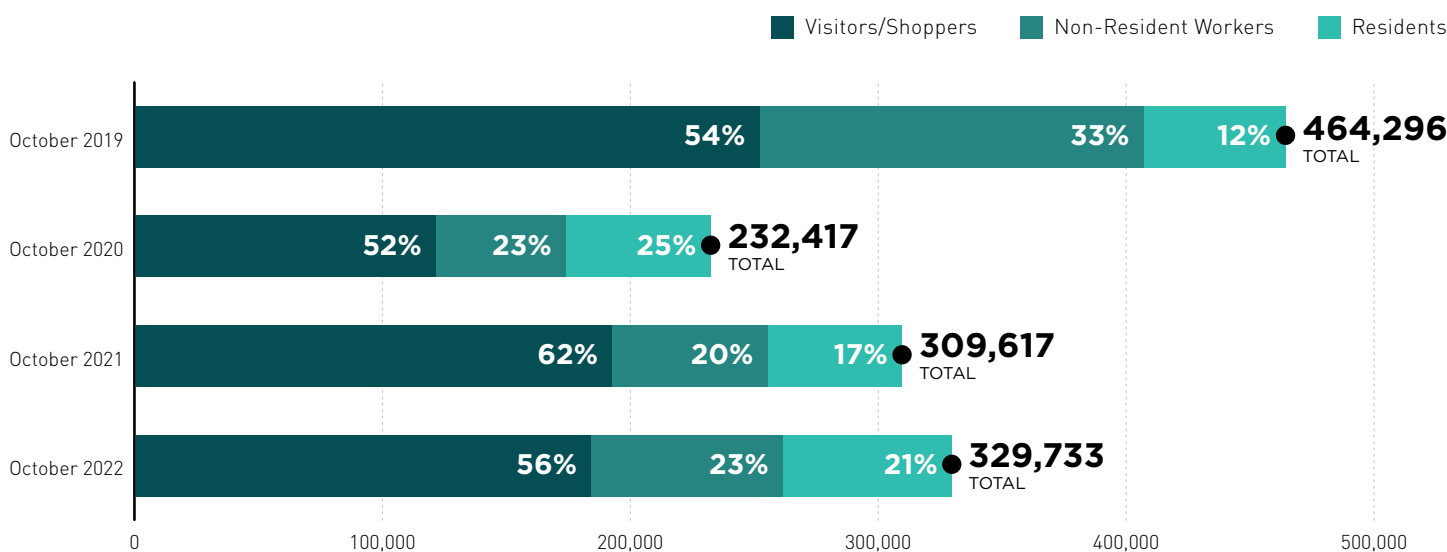
or to shop, dine and access the variety of services available. Despite the disruptions of 2020, residents have been fairly constant; others, like tourists, are seasonal; but many are discretionary, who can choose to shop or dine in many locations in the region, come to the office or work remotely.

Center City District measures this activity in two different ways. First, CCD has installed sensors at 11 locations within the dense commercial core of Center City from 8th to 19th Street and from John F. Kennedy Boulevard to Walnut Street. Three of these sensors are located in the main commercial office district, on the 1700 block of JFK Boulevard, the 1800 block of Market Street and the 1600 block of Market. Second, CCD uses Placer.ai data, based on anonymized mobile phone data, to estimate the daily population of residents, workers, shoppers and other visitors within a broader area from Vine Street to South Street, river to river.

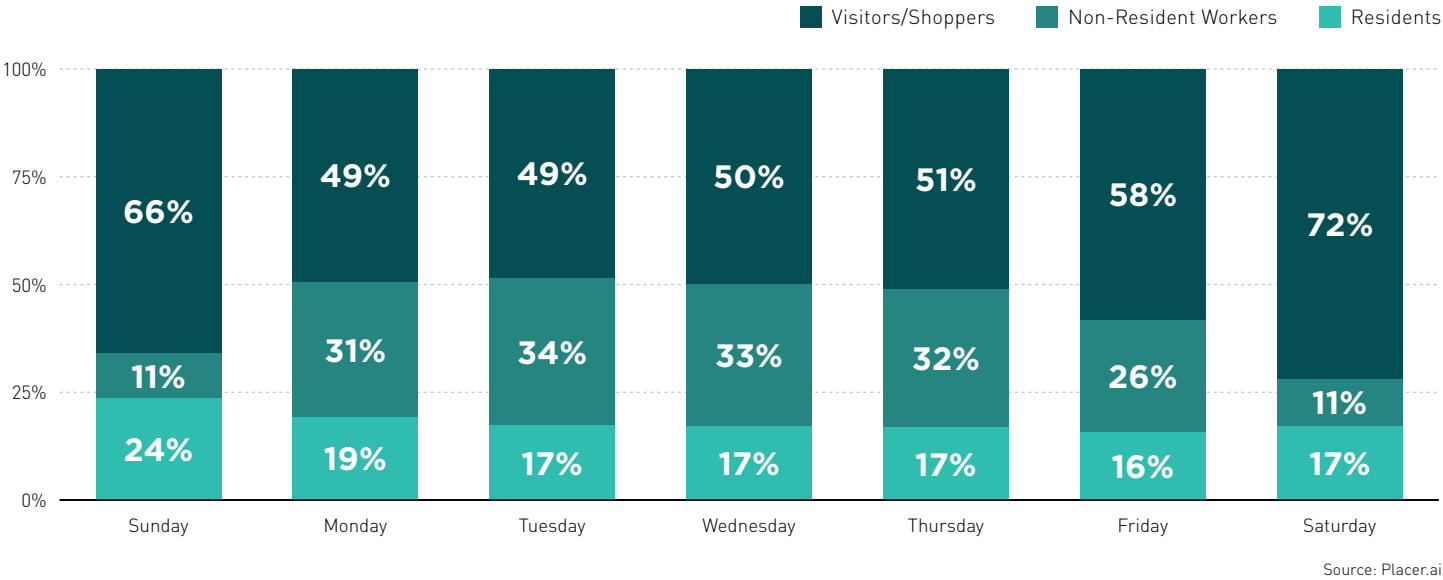
Average Hourly Pedestrian Volume, January 1–October 31, 2022



Proportion of Center City Pedestrians, October 2019–2022

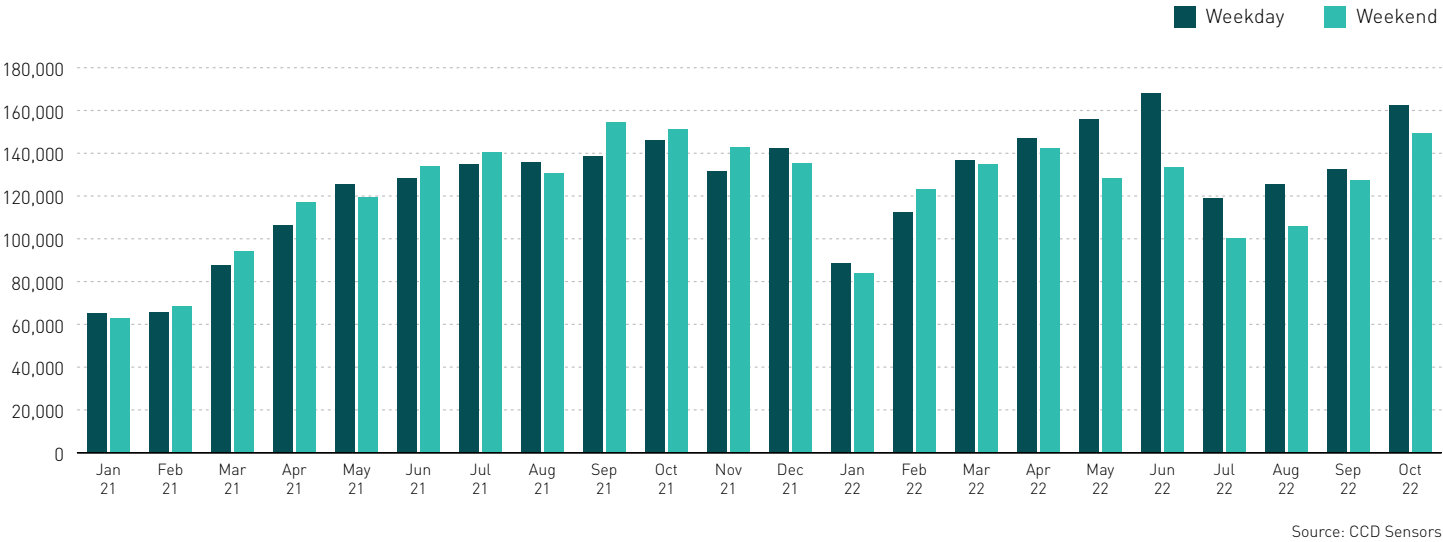


Pedestrian Volume by Type and Day



As of October 2022, foot traffic in Center City achieved three-quarters of October 2019 levels.

Average Daily Ped Count by Weekday and Weekend



CCD's on-street sensors show that pedestrian volumes in October 2022 in the commercial core reached 77% of the October 2019 level, part of a steady increase throughout 2022, from a daily average of 87,133 pedestrians in January to 158,426 in October, an overall 82% increase. The rate of

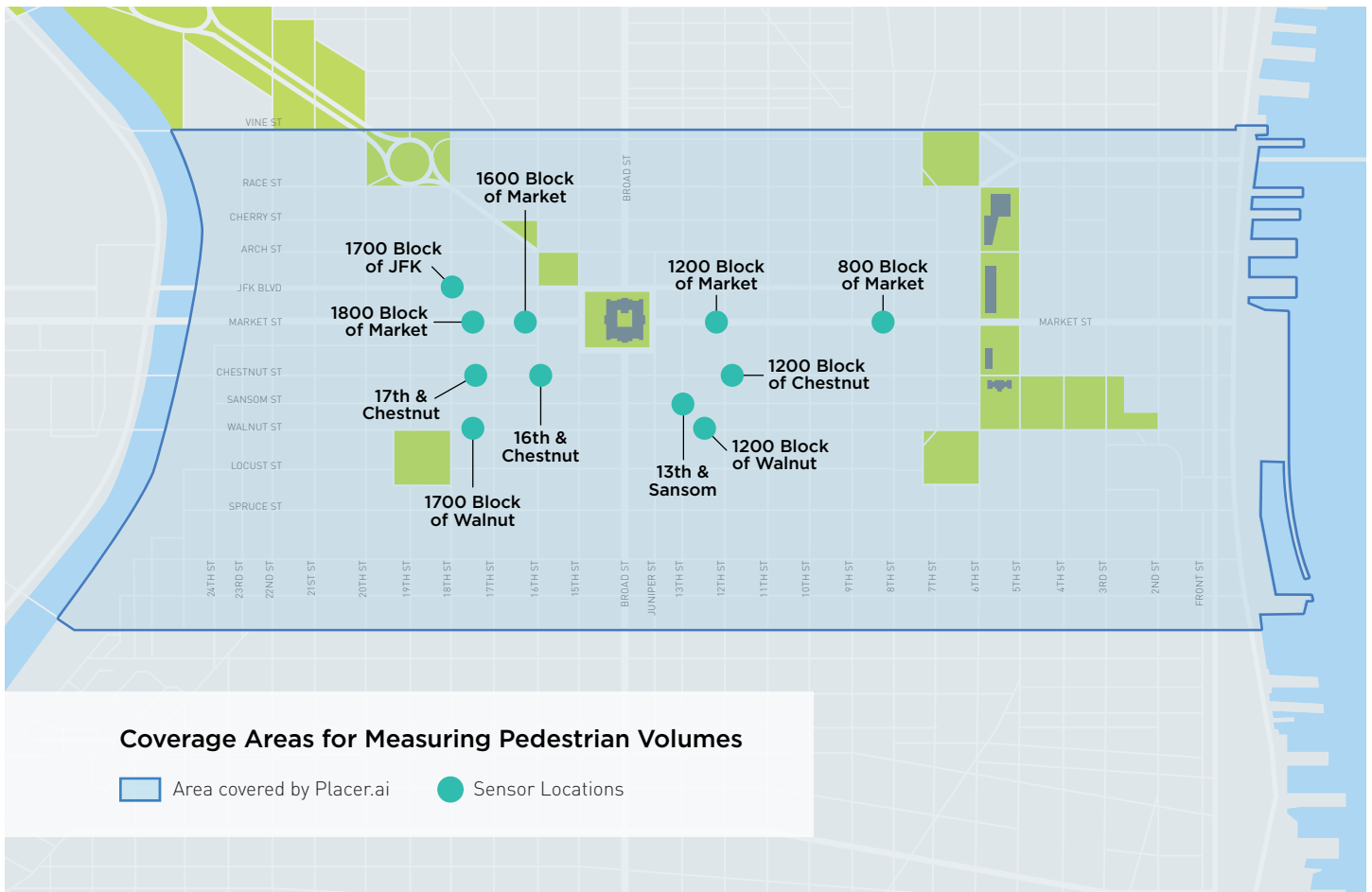
increase has been greatest in the commercial office district, where CCD's three on-street sensors show a 115% growth during this period. Consistent with overall return to office patterns, the highest volumes occur on Tuesdays, Wednesdays and Thursdays. In the week ending November 5, the

average number of daily pedestrians measured by all 11 CCD sensors increased to 170,842, the second highest weekly average of the year. The successful return of major conventions is clearly visible in the volume recorded by CCD sensors at 12th and Market Street.

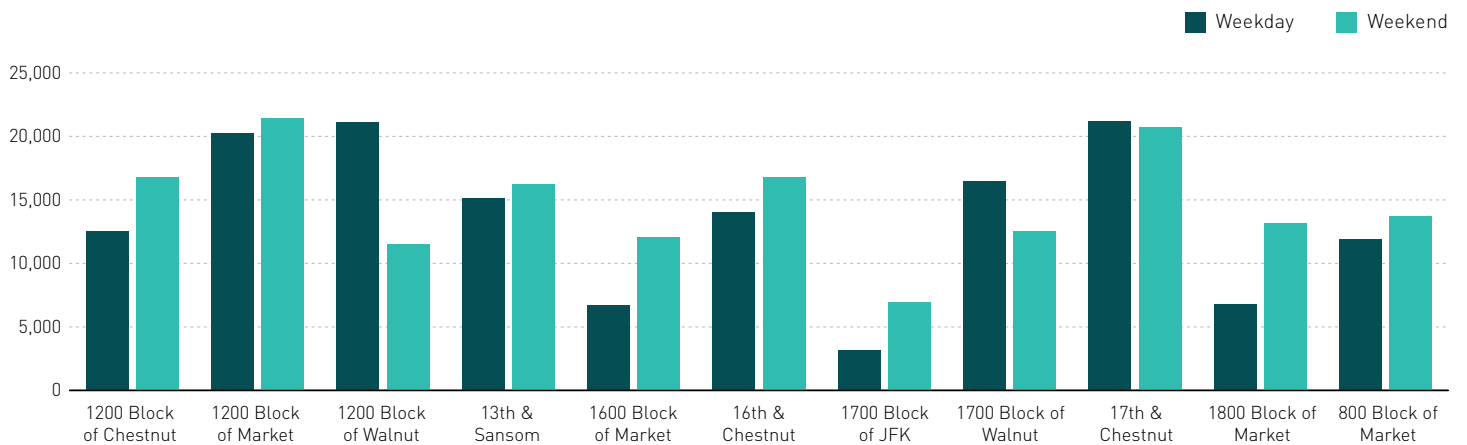


Placer.ai data for the blue shaded area on the map on page 19 suggest that the overall volume of residents, non-resident workers, shoppers and other downtown visitors in October reached 71% of pre-pandemic levels. Consistent with growing population trends and reflective of the end of the summer travel season, residents were present at 119% of the October 2019 level. Non-resident workers were at 50% of October 2019 levels, while visitors and shoppers were at 73%. Placer data also shows a steady increase in pedestrians since January, with the most significant growth among visitors and shoppers (38%), impacted by the successful return of conventions and regional shoppers, and by the gradual return to office of non-resident workers (37%).

While hybrid work may persist and limit the recurring purchases of office workers, downtown Philadelphia's growing residential population and returning visitors have generated robust demand.



October Average Daily Pedestrian by Location, Weekday and Weekend





Resilient Retailers

To monitor recovery during the last three years, Center City District staff conducted periodic on-street surveys of ground floor businesses within CCD boundaries, as well as an annual review of the broader core of Center City: Vine Street to South Street, river to river. The latest survey was in September 2022 and focused on the 3,560 storefronts within core Center City. Of these, 29% were service establishments; 26% were retailers, 26% were restaurants, and 19% were vacant or not open for business, though many had signage suggesting that a tenant has been obtained. Prior to the pandemic, 11% of storefronts within the District were vacant. In June 2020, the vacancy rate was briefly elevated to 45%. But, many businesses reopened by January 2021, lowering the vacancy rate to 30%. As of September 2022, 80.5% of retail storefronts within the Center City District are open for business, well on pace to be the second consecutive year of positive net openings in Center City Philadelphia.

Over 175 new retail, restaurants and service-oriented businesses will have opened in Center City since 2020, with at least 47 more coming soon. Since the beginning of 2020,

Center City has lost several prominent traditional retailers, including Gap, Banana Republic, Aldo, Talbots and Ann Taylor. In most cases, this was due to bankruptcy or downsizing their retail footprints nationwide. Unfortunately, the loss of some of these traditional retailers has contributed to public misconceptions of the extent of retail vacancy.

Many of these storefronts, particularly those on Walnut Street, were quickly backfilled by emergent digitally native brands. Since 2020, “clicks to bricks” retailers, including Allbirds, Brooklinen, Interior Define, Glossier, and Gorjana have opened stores in prominent locations on Walnut Street. Bricks and mortar locations for several other such brands, including Faherty, ThirdLove, and Outdoor Voices, are in the works. Given the high cost of customer acquisition for digitally native brands and the overall limitations of selling almost entirely online, this leasing trend is expected to continue in areas of Center City with high traffic. Having storefronts in areas with high foot traffic can provide a more effective way of attracting new customers than only an on-line presence.

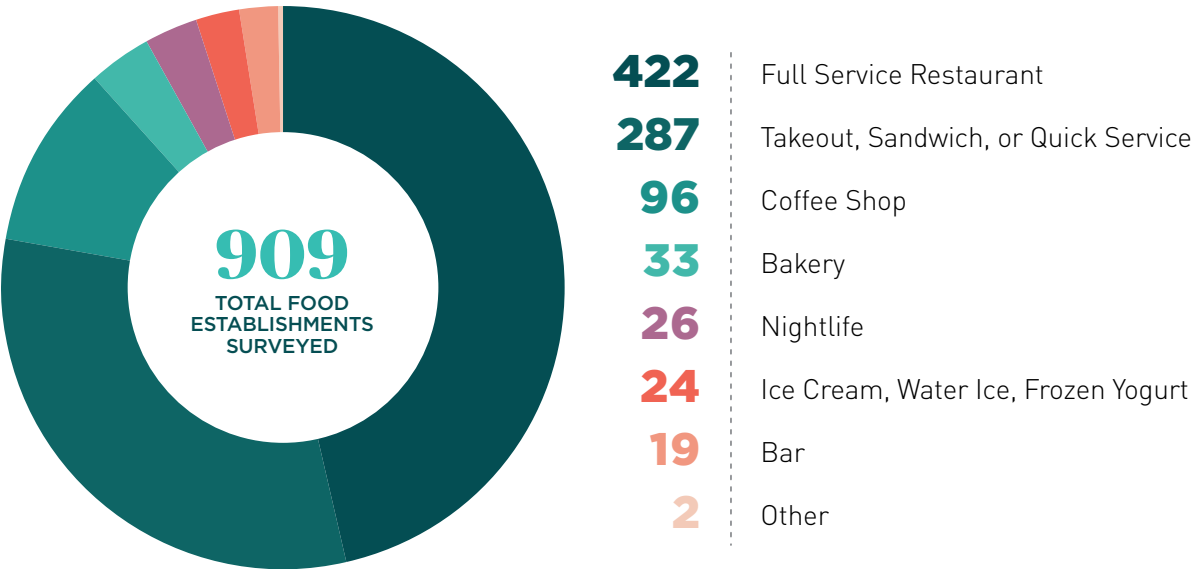
Established Center City retailers, including Tiffany & Co., Govberg Jewelers, J. Crew, Mitchell & Ness, Madewell, Free People, Barnes and Noble, and Philadelphia Runner expanded or negotiated more favorable terms for their Center City leases. New international brands also entered Philadelphia's downtown since 2020, including Irish fast-fashion retailer Primark and Danish high-end electronics brand Bang & Olufsen. Quick service food businesses, such as Van Leeuwen Ice Cream, &pizza, and Bluestone Lane have opened second locations in Center City.

Likely due to a trend toward smaller footprint retail leases, several larger storefronts have transitioned to entertainment concepts, including:

- 1. **Bankroll**, an 18,500-square-foot sports bar and entertainment venue with a Stephen Starr restaurant, broke ground in late April at the former Boyd Theater site at 1910 Chestnut Street.
- 2. **Insomnia Cookies**, a locally-started cookie retailer, has leased 26,000 square feet at 1 South Broad Street as its new headquarters with a "retail store of the future" on the ground floor.
- 3. **Puttshack**, a London-based mini-golf venue with a bar and restaurant, has leased 26,000 square feet of the ground floor of the Shops at Liberty Place, 1625 Chestnut Street.
- 4. **Barcade**, a Brooklyn-based bar-and-arcade hybrid, has announced plans to open its second Philadelphia location in 8,000 square feet of the historic Hale Building at 1326 Chestnut Street by early 2023.

Center City has 422 full service restaurants concentrated downtown.

Core Center City Food Establishments, 2022



Retail Testimonials



"Philly is a very easy city to navigate and very walkable. We serve customers that drive by and run in, and customers who walk to us from anywhere or ride their bikes. The demographic range is astonishingly diverse from Baby Boomers who live in town to young families to Gen Zs who attend one of the many universities."

-Photo Lounge



"After the pandemic, our sales are back to where they were. Everybody starves for spa services, travel and eating out so being in the city center definitely helped us get back quickly to where we used to be pre-pandemic."

-Rescue Spa



Steak 48

“Center City has many strengths – including an abundance of thriving businesses, retail and dining, a robust arts scene, great residential offerings, and more. Being that Steak 48 is a restaurant, one of the biggest strengths for us as it relates to our location in Center City is the unparalleled food scene. The city holds an appreciation for food, an abundance of spectacular restaurants and chefs, and diners with sophisticated and adventurous palates.”

–Steak 48



“We have always heard about Philly’s passion, from sports to the love of the city. Opening a location in Center City has given us the opportunity to experience this immense passion first hand, from our guests to our employees. Philly’s passion is hard to match.”

–Victory Brewing Company



Verde



Prunella

Core Center City Storefronts, 2022



909

EATING & DRINKING
ESTABLISHMENTS



935

RETAILERS



1,035

SERVICE
PROVIDERS



728

INDEPENDENT/
LOCAL RETAILERS



869

INDEPENDENT/
LOCAL SERVICE
PROVIDERS



207

NATIONAL
RETAILERS

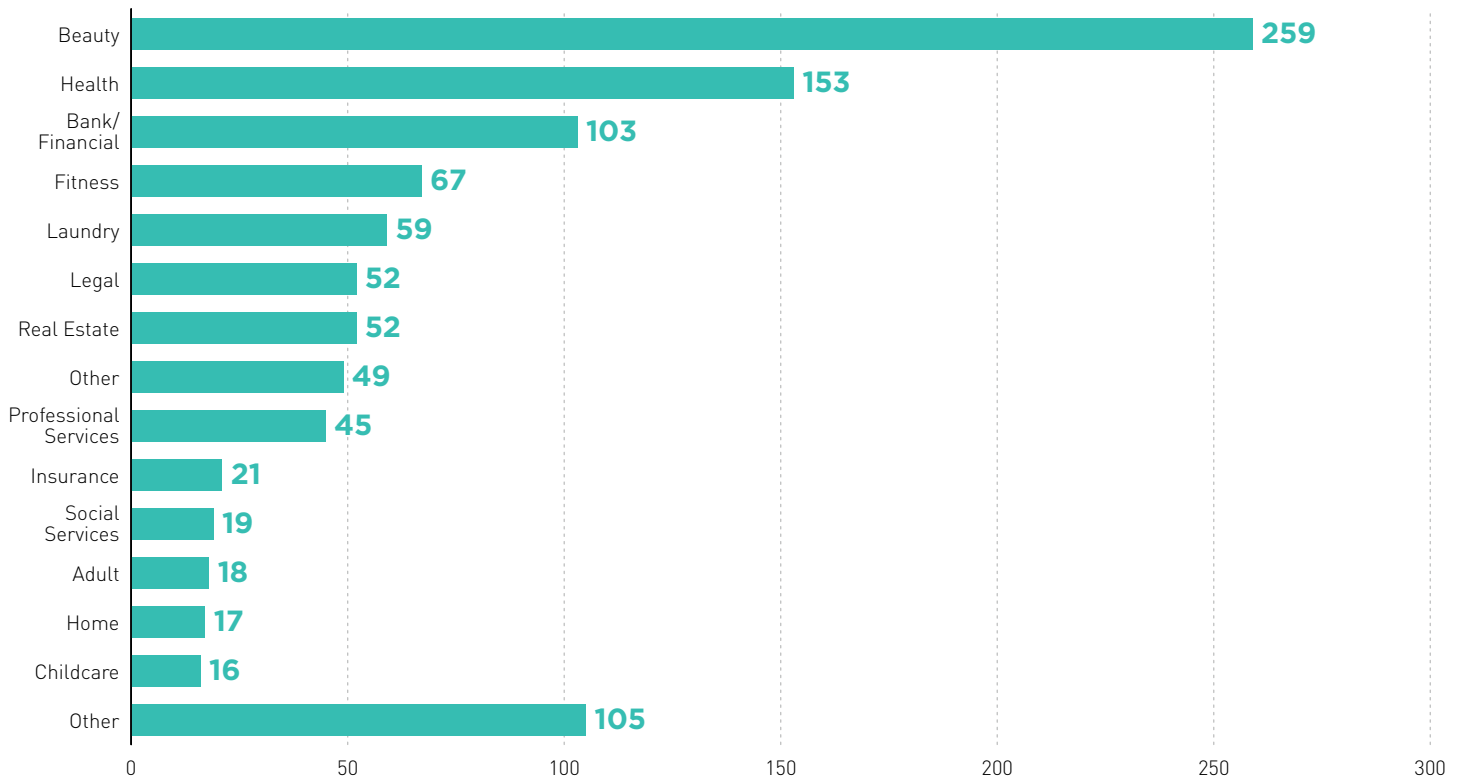


166

NATIONAL
SERVICE
PROVIDERS

Many retail spaces that were vacated during 2020 and 2021 were quickly backfilled by emergent digitally native brands.

Core Center City Service Providers, 2022



Source: Retail Survey 2022, Center City District

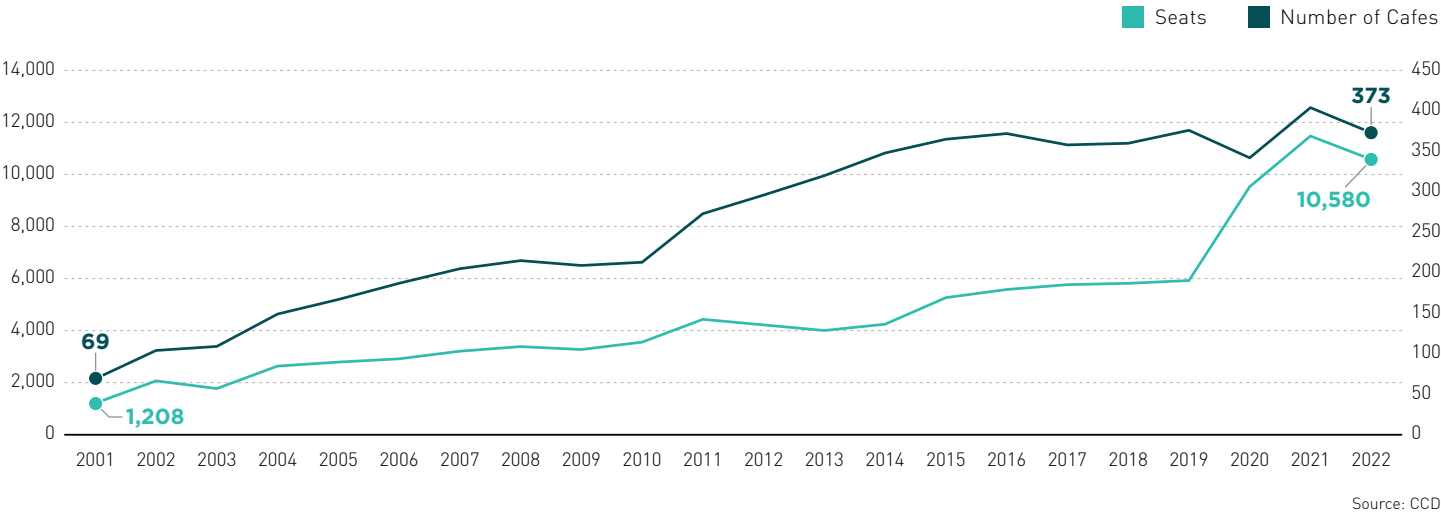


Outdoor Seating

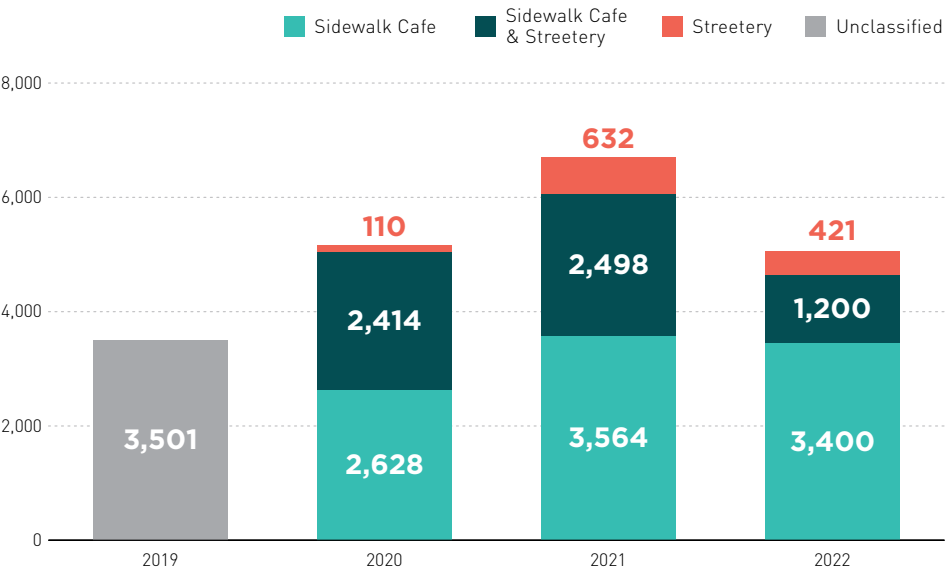
Streeteries may be one of the pandemic's enduring, positive legacies. Center City has more than 25 years of experience with sidewalk dining. Although indoor occupancy restrictions are no longer in place, streeteries continue to supplement both indoor dining and sidewalk seating. While in June 2022, there were fewer outdoor seats in Center City than at the height of the pandemic, there are now more outdoor seating opportunities than pre-pandemic, even with the full reopening

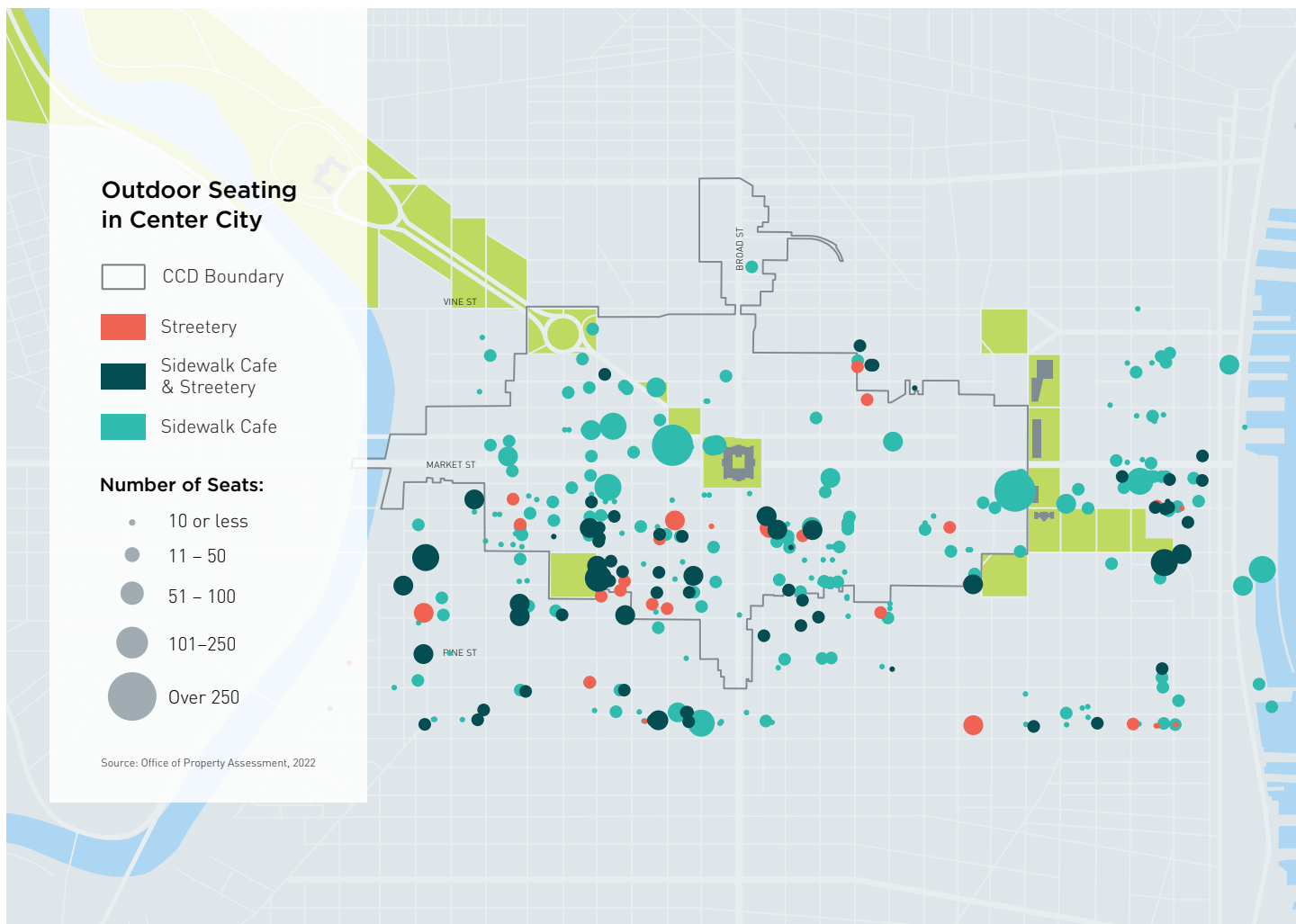
of indoor dining. In 2019, there were 3,501 outdoor seats within the CCD; today there are 5,061. There is still work to be done by the City of Philadelphia to streamline the permitting process and set appropriate design, management and safety standards for this new use of the right of way, but patrons dining on sidewalks during at least three seasons of the year continue to add to the vitality of Center City.

Outdoor Cafes at Food Establishments, Core Center City



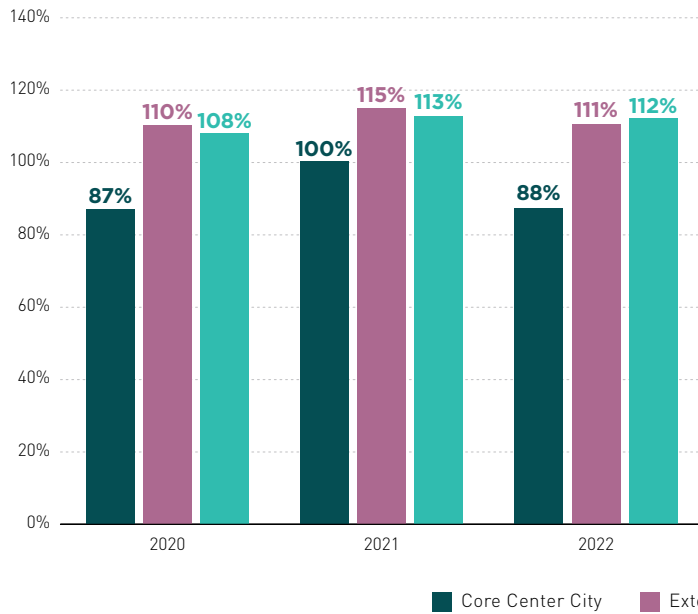
Outdoor Cafe Seats in Core Center City



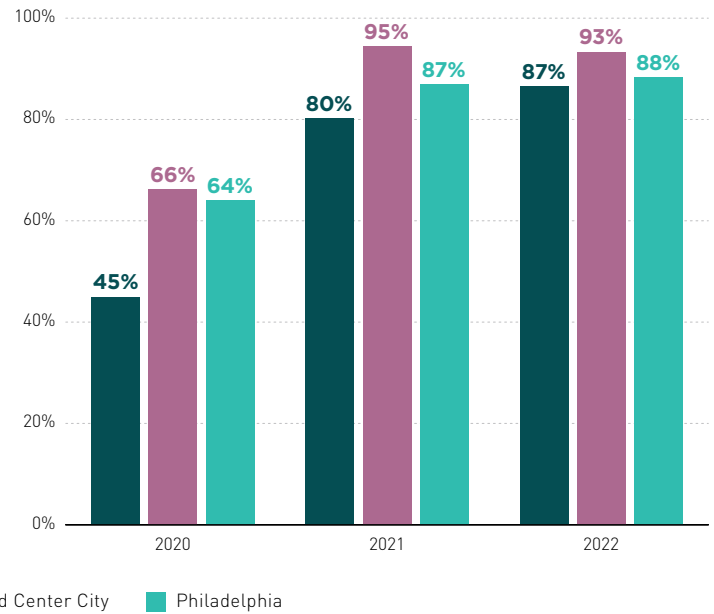


Building upon more than 25 years of experience with sidewalk dining, streeteries may be one of the pandemic’s enduring, positive legacies.

Local Sales Tax Collections from Retailers in Third Quarter as a Percentage of 2019



Local Sales Tax Collections from Restaurants in Third Quarter as a Percentage of 2019



Taxable retail sales for the third quarter of 2022 in core Center City are at 88% of nominal 2019 levels; bars and restaurants are at 87% of nominal 2019 levels.